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Message Text

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PAGE 01 ABU DH 03018 251538Z
ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 /026 W
----------126704 252025Z /75
R 251200Z OCT 77
FM AMEMBASSY ABU DHABI
TO SECSTATE WASHDC 6819
INFO AMEMBASSY ALGIERS
USINT BAGHDAD
AMEMBASSY BONN
AMEMBASSY CAIRO
AMEMBASSY CARACAS
AMCONSUL DHAHRAN
AMEMBASSY DOHA
AMEMBASSY JAKARTA
AMEMBASSY JIDDA
AMEMBASSY KUWAIT
AMEMBASSY LAGOS
AMEMBASSY LIBREVILLE
AMEMBASSY LONDON
AMEMBASSY MANAMA
AMEMBASSY PARIS
AMEMBASSY QUITO
AMEMBASSY ROME
AMEMBASSY STOCKHOLM
AMEMBASSY TRIPOLI
AMEMBASSY TOKYO
AMEMBASSY VIENNA

C O N F I D E N T I A L ABU DHABI 3018

EXDIS
E.O. 11652: GDS
TAGS: ENRG,OPEC

SUBJECT: OPEC OIL PRICES

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DEPT PASS BAGHDAD

1. DURING MY MEETING OCTOBER 25 WITH OIL MINISTER UTAYBA, SUBJECT OF FUTURE OPEC OIL PRICES WAS DISCUSSED. UTAYBA FIRST OF ALL REITERATED THAT OIL PRICES HAD NOT RPT NOT BEEN DISCUSSED AT OAPEC MEETING LAST AUGUST IN TAIF, STATING EMPHATICALLY THAT THIS WAS NOT PURPOSE OF OAPEC. HE

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REPEATED WHAT UNDER SECRETARY ABDALLAH ISMAIL HAD REPORTED EARLIER (ABU DHABI 2760) THAT MEETING WAS FOR PURPOSE OF ESTABLISHING INTRA-OAPEC ENTITY TO SETTLE DISPUTES AMONG MEMBERS, WHICH IS CALLED FOR UNDER ORIGINAL OAPEC CHARTER.

2. UTAYBA SAID VENEZUELAN MINISTER OF MINES AND HYDROCARBONS HERNANDEZ ACOSTA IS SCHEDULED TO MAKE TRIP TO GULF REGION AND STOP IN ABU DHABI ON NOVEMBER 13. THIS WILL BE A PRE-CARACAS CONSULTATION TO DETERMINE WHETHER OIL PRICE ISSUE WILL BE MAJOR DIVISIVE ELEMENT WHEN OPEC MEETS IN DECEMBER. UTAYBA'S FEELING AT MOMENT WAS THAT THERE WOULD NOLKCBGACU GIPUTE OVER PRICES EVEN THOUGH CONSUMPTION OF OPEC OIL MAY BE AT HIGHER LEVEL THAN IT IS AT PRESENT.

3. AFTER LISTENING TO ME SUMMARIZE MAIN POINTS CONTAINED IN UNDER SECRETARY COOPER'S OCTOBER 14 STATEMENT BEFORE COMMITTEE TWO OF UNGA (STATE 254389), PARTICULARLY POINT THAT US BALANCE PAYMENT DEFICIT CONTRIBUTING TO WORLD ECONOMIC RECOVERY BUT THAT IMPACT WOULD BE AFFECTED BY WHAT OTHER INDUSTRIAL ECONOMIES DO AND BY PRICING POLICIES OF OPEC COUNTRIES, UTAYBA SAID WAS TOO EARLY PREDICT OPEC POSITION. WHILE UAE WOULD CONSULT CLOSELY WITH SAUDIS AND PUSH FOR A FREEZE AT CARACAS, HE PERSONALLY THOUGHT IT MORE LIKELY THAT PRICE OF MARKER CRUDE WOULD BE RAISED BETWEEN FIVE AND EIGHT PERCENT.
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4. UTAYBA MADE POINT THAT UAEG WANTS HOLD LINE APPRECIATING PRESIDENT CARTER'S EFFORT TO OBTAIN GENEVA CONFERENCE AND DOES NOT WANT ARABS TO BE BLAMED FOR ANOTHER PRICE HIKE. AT SAME TIME, UTAYBA MADE VALID POINT THAT US CAN'T CONTINUE TO JAWBONE AGAINST OPEC PRICE RISE IF IT UNABLE SHOW RESTRAINT IN CONSUMPTION GROWTH. HE VERY MUCH AWARE OF WHAT ADMINISTRATION TRYING TO DO TO CONVINCE CONGRESS AND AMERICAN PUBLIC ON NEED FOR CONSERVATION BUT THOUGHT THAT TIMETABLE FOR ACHIEVING CONSERVATION GOALS PROBABLY UNREALISTIC IN US CONTEXT. THEREFORE, PRICE MECHANISM MAY HAVE TO BE PUT INTO PLAY TO ENCOURAGE US CONSUMERS TO RESTRICT CONSUMPTION. IN OTHER WORDS, RISING US CONSUMPTION HAS NOW BECOME A MAJOR CONTRIBUTING FACTOR TO PRESSURE FOR HIGHER OIL PRICES WHICH IN TURN IMPACT SO UNFAVORABLY ON THIRD WORLD.

4. ON SUBJECT OF UAE OIL PRODUCTION, I ASKED IF HE HAD BEEN CORRECTLY QUOTED DURING OCTOBER 5 PRESS CONFERENCE THAT UAE'S PRODUCTION IN 1978 WOULD BE SAME AS IN 1977.

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HE REPLIED THAT HE HAD SAID "IT COULD BE THE SAME".
WHETHER OR NOT THERE WAS AN INCREASE COULD BE DETERMINED
BY MIDDLE EAST SITUATION AND BY RESULTS OF DISCUSSIONS
NOW UNDERWAY WITH OIL COMPANIES TO STEP UP THEIR EXPLORA-
TION FOR NEW OIL RESERVES TO COMPENSATE FOR WITHDRAWALS.
THIS HAS BEEN SUBJECT OF CONSIDERABLE DISCUSSION IN RECENT
MONTHS (AND WILL BE SUBJECT OF SEPARATE AIRGRAM.)
DICKMAN

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Message Attributes

Automatic Decaptioning: Z
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PETROLEUM, MINISTERIAL MEETINGS, PRICES
Control Number: n/a
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Sent Date: 25-Oct-1977 12:00:00 am
Decaption Date: 22 May 2009
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
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Disposition Remarks:
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Errors: N/A
Expiration:
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From: ABU DHABI
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Original Classification: CONFIDENTIAL
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Review Release Date: n/a
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TAGS: ENRG, TC, US, OPEC, (DICKMAN, FRANCOIS M), (AL-UTAYBA, MANI\'IBN SA\'ID)
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